

Part I

Section 1256.—Section 1256 Contracts Marked to Market

(Also §§ 446, 481, 7805; 1.446–1, 301.7805–1)

Rev. Rul. 2009-4

ISSUE

Is Dubai Mercantile Exchange, which is a United Arab Emirates Authorized Market Institution, a qualified board or exchange within the meaning of section 1256(g)(7)(C) of the Internal Revenue Code?

LAW

Section 1256(g)(7) of the Code provides that the term “qualified board or exchange” means:

(A) a national securities exchange which is registered with the Securities and Exchange Commission,

(B) a domestic board of trade designated as a contract market by the Commodity Futures Trading Commission, or

(C) any other exchange, board of trade, or other market which the Secretary determines has rules adequate to carry out the purposes of section 1256.

HOLDING

The Internal Revenue Service determines that Dubai Mercantile Exchange, which is a United Arab Emirates Authorized Market Institution, is a qualified board or exchange within the meaning of section 1256(g)(7)(C) of the Code.

EFFECTIVE DATE

Under the authority of section 7805(b)(8) of the Code, this revenue ruling is effective for Dubai Mercantile Exchange Contracts (commodity futures contracts and futures contract options) entered into on or after February 1, 2009.

CHANGE IN METHOD OF ACCOUNTING

A change in the treatment of Dubai Mercantile Exchange Contracts to comply with this revenue ruling is a change in method of accounting within the meaning of sections 446 and 481 of the Code and the regulations thereunder. The Commissioner grants consent to taxpayers to change to the section 1256 mark to market method for the first taxable year during which the taxpayer holds a Dubai Mercantile Exchange Contract that was entered into on or after February 1, 2009. Such a taxpayer need not file a Form 3115, Application for Change in Accounting Method. Dubai Mercantile Exchange Contracts that were entered into before February 1, 2009, are not covered by the change in method for which consent is granted. Because the change is being made on a “cut-off” basis, there is no potential omission or duplication of income or deductions, and therefore no adjustment under section 481 is required.

DRAFTING INFORMATION

The principal author of this revenue ruling is K. Scott Brown of the Office of Associate Chief Counsel (Financial Institutions and Products). For further information regarding this revenue ruling, contact Mr. Brown at (202) 622-7454 (not a toll-free call).